

Message Text

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43

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FM AMEMBASSY MANILA

TO USDOC WASHDC

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

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UNCLAS MANILA 2148

USDOC FOR MAJOR EXPORT PROJECTS DIVISION

DEPT FOR EA/OMS AND EA/EP A. GEBER

HONG KONG PASS RAND

E.O. 11652: N/A

TAGS: BEXP, BMED, ID, RP

SUBJ: MAJOR TRADE OPPORTUNITY (MTO): FERTILIZER

REF JAKARTA 1877

1. AGREE WITH EMBASSY JAKARTA THAT PHILIPPINE FERTILIZER OPPORTUNITIES BEAR WATCHING, AND US INDUSTRIAL TEAM MAY WISH VISIT PHILIPPINES AS SUGGESTED PARA 1 REFTEL. HOWEVER, IN CONSIDERING NEAR-TERM VISIT, US INDUSTRY SHOULD BE AWARE THAT INVESTMENT IN PHILIPPINE FERTILIZER PRODUCTION IS AT MOMENT NOT PARTICULARLY ATTRACTIVE TO PRIVATE INVESTORS BECAUSE OF PRICE CONTROLS. EXISTING PRODUCERS LOST MONEY IN 1973, AND ALTHOUGH GOVERNMENT HAS PROMISED REIMBURSEMENT, PAYMENTS HAVE BEEN DELAYED. FERTILIZER PRICE CEILING WAS RAISED BY GOVERNMENT LAST WEEK, BUT EXECUTIVE DIRECTOR FERTILIZER AUTHORITY IN ANNOUNCING HIGHER CEILING STATED THAT EVEN AT NEW CEILINGS GOVERNMENT WOULD BE OBLIGATED TO PROVIDE DIRECT SUBSIDY OF P200 MILLION (\$30 MILLION).

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2. NEWLY AUTHORIZED EX-WAREHOUSE PRICE OF UREA, FOR EXAMPLE, IS P1293 PER METRIC TON (\$193) IF INTENDED FOR FOOD CROPS AND P1742 PER METRIC TON (\$260) IF INTENDED FOR EXPORT CROPS. FOOD CROP SECTOR, FOR WHICH PRICE IS CLEARLY BELOW COST, TAKES 60-70 PERCENT OF TOTAL FERTILIZER USAGE.

3. LOCAL INDUSTRY, DESPITE ITS RATED CAPACITY OF 486,000 TONS, EXPECTS TO BE ABLE TO PRODUCE ONLY 285,000 TONS IN 1974. THERE ARE MANY REASONS WHY PHILIPPINES MIGHT LOGICALLY EXPECT TO EXPAND ITS FERTILIZER PRODUCTION, PARTICULARLY PHOS ACID PER REFTTEL PARA 3, BUT UNTIL PROFIT INCENTIVES ARE RESTORED, INVESTORS, WHETHER DOMESTIC OR FOREIGN, WILL LIKELY FEEL COMPELLED TO TREAD SLOWLEY.

4. DETAILED DISCUSSION OF PHILIPPINE FERTILIZER PROSPECTS AND PROBLEMS IS GIVEN IN MANILA A-29, 2/12/74. DRAFT TVA REPORT ON PRODUCTION POSSIBILITIES TRANSMITTED TO WASHINGTON WITH TOAID A-41, 2/21/74.
SULLIVAN

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